

**Address by Mrs. Anna Kajumulo Tibaijuka
for the Global Observance and Partnership Forum:**

Executive Director



UN-HABITAT

The United Nations Human Settlements Programme

On the occasion of the launch of the Slum Upgrading Facility in Indonesia.

Jakarta, Monday 3 October 2005

Your Excellency Mr. Jusuf Kalla, Vice-President of the Republic of Indonesia,
Mr. Sutiyoso, the Governor of Jakarta Metropolitan City and President of the Association of Provincial Governments of Indonesia,
Mr. Djoko Kirmanto, the Minister of Public Works of the Republic of Indonesia,
Mr. Mohammad Yusuf ASYARI, the Minister for the People's Housing,
Mr. Ong Keng Yong, the Secretary General of Association of Southeast Asian Nations,
Mr. Ngurah Swajaya, Director for UN Economic, Development and Environmental Affairs, at the Department of Foreign Affairs of the Republic of Indonesia,

Mr. Chairperson, Excellencies, ladies and gentlemen,

We are gathered here on World Habitat Day to see how we can bring the Millennium Development Goals into the poorest neighbourhoods of our towns and cities. This morning, I outlined the enormity of the urban poverty challenge we face around the world.

Now I wish to focus more closely on Asia, and to present some new thinking on how we can help finance urban poverty reduction. There are many solutions here. If we have the political will we can make a positive impact on the slow-motion tsunami of rising urban poverty.

Indonesia has set a shining example through many best practices in the fight against urban poverty, since well before the days of the Kampung Improvement Programme. The UN system, and UN-HABITAT in particular, is proud to have been part of this development process for many years.

The urban populations in member countries of the Association of Southeast Asian Nations and their neighbours are growing daily. In Indonesia it has grown from 20 percent of the total population in 1975, to 40 percent today constituting about 90 million people. By 2025, our research projects that 60 percent of all Indonesians will be living in towns and cities.

But, half of Indonesia's urban population, some 45 million people, are poverty stricken. Today, we must collectively pledge to "keep the promise" of the Millennium Development Goals by helping the urban poor help themselves.

I thus dedicate this day to that noble dream.

Mr. Chairperson,

The investment requirements for slum upgrading in this country are nevertheless huge – for example some estimates indicate that the upgrading of urban water and sewerage systems alone in Indonesia would require 10 to 20 billion dollars. Such financing is not in the realm of traditional partners like the central government and donors. We need to fundamentally change the way we approach slum upgrading. This can be done in three ways: Firstly, by encouraging and supporting community led processes; secondly by empowering local governments to build their fiscal and technical capacity. . This will lead to sustainable and efficient provision of land and infrastructure. It will also attract domestic capital from local markets. In essence, upgrading must be locally owned, driven and funded.

The central Government can act as a catalyst by creating efficient land and housing markets. It can do this by targeted and direct subsidies for infrastructure and housing in a transparent manner, and build domestic affordable housing finance and municipal bond markets.

The history and strength of community mobilisation in Indonesia is very encouraging. Capital markets in Indonesia are well on the mend since the *Krismon*, the financial crisis of 1997. They are indeed booming. The Bank of Indonesia estimates that the spare liquidity in the financial markets is 22.4 billion dollars. The financial markets are looking for good housing investments. Urban upgrading can benefit from this liquidity. However, attracting domestic capital to upgrading projects requires developing viable projects to attract private investment. This means bringing together local actors in the public and private sectors.

With the realisation of this new approach for slum upgrading, and in order to support our Member States, UN-HABITAT has established a new global Slum Upgrading Facility. Its central objective is to help developing countries mobilize domestic capital for their own slum and urban upgrading activities through the new processes that I have just outlined.

Mr. Chairperson,

It gives me great pleasure, therefore, to announce the Launch of Slum Upgrading Facility in Indonesia today from this platform. The Facility, working with the Government of Indonesia and other development partners, aims to support local governments and communities in cities such as Jakarta and Yogyakarta. It will help scale up the emerging CO-BILD, a financing system for low income housing.

I am also pleased to announce that the Slum Upgrading Facility will support the Government in organising a national workshop on mobilising domestic capital for urban upgrading projects later in the year. We are encouraged by what we have learned during our fact-finding missions to Indonesia. We are confident that in coming months, communities and local governments will start to see the benefits of this approach. May I assure of UN-HABITAT's dedicated support.

Mr. Chairperson, Honourable Ministers, ladies and gentlemen,

In Asia, we are pleased to note that the absolute number of people living in extreme poverty has been reduced by more than a quarter of a billion since 1990, even though it still accounts for 60 percent of the world's slum population.

Recent estimates indicate that about 2 billion people will be added to the number of urban dwellers in developing countries over the next 25 years. To meet the needs of this additional population, an average of about 35 million new houses will have to be built every year for the next 25 years.

If adequate financial resources are not invested in the development of urban shelter and services, this additional population will be trapped in urban poverty, deplorable housing conditions, poor health and low productivity, making the enormous slum challenge that exists today even worse.

Many of the solutions and best practices here are documented in UN-HABITAT's latest Global Report on Human Settlements, *Financing Urban Shelter*. Copies of this report, launched last month, are available for you here today. It focuses on the shelter needs of the poor and within the overall context of the United Nations Millennium Development target on slums, which seeks to achieve *significant improvement in the lives of at least 100 million slum dwellers* by 2020. As is well known, the target on slums is closely related to the target on safe drinking water and sanitation, both of which are at the heart of slum upgrading.

I am thus delighted that UN-HABITAT's Water for Asian Cities Programme, is gaining strength in the region with the support of the Asian Development Bank, several ASEAN governments, and other donor countries. Our agency is also working on a range of other urban poverty reduction and shelter programmes, and post-conflict and disaster rehabilitation projects, in Afghanistan, Bangladesh, Cambodia, India, Indonesia, Nepal, the Philippines, Sri Lanka, Thailand, Timor-Leste and Vietnam.

I am particularly pleased that the collaborative effort between UN-HABITAT and UNDP in Jakarta is beginning to bear fruit in the delivery of community housing and infrastructure in the tsunami affected areas of Aceh, Nias and Simeulue.

As we move forward across the region, let me assure you, Honourable Ministers, Ladies and Gentlemen, that UN-HABITAT remains fully committed to maximizing the use *national* expertise, and supporting *local* execution and procurement in every country.

Thank you. I now hand the floor back to you, Mr. Chairperson.